

Message Text

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PAGE 01 BRUSSE 00282 121157Z
ACTION SS-15

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FOR UNDER SECRETARY ROGERS FROM AMBASSADOR

E.O. 11652: N/A
TAGS: EIND EINV ELAB BBAK BE
SUBJECT: BANKRUPTCY OF BADGER (BELGIUM) N.V. (RAYTHEON CORPORATION)

1. SUMMARY: BADGER (BELGIUM) N.V., A SUBSIDIARY THROUGH VARIOUS HOLDING COMPANIES OF RAYTHEON, IS EXPECTED TO DECLARE BANKRUPTCY ON OR ABOUT JANUARY 15. THE COMPANY WILL THUS AVOID OUTSTANDING LIABILITIES TO ITS WHITE-COLLAR WORKERS OF ABOUT \$2.5 MILLION. IT IS HIDING BEHIND A LEGAL FICTION THAT BADGER (BELGIUM) IS AN INDEPENDENT COMPANY, EVEN THOUGH IT IS FULLY OWNED BY RAYTHEON. THIS ACTION WILL MOST CERTAINLY REFLECT ADVERSELY AGAINST ALL US MULTINATIONALS. ACCORDINGLY, I RECOMMEND A HIGH-LEVEL EFFORT BE MADE TO PERSUADE RAYTHEON TO MEET ITS RESPONSIBILITIES HERE. END SUMMARY.

2. I AM SERIOUSLY CONCERNED OVER THE APPARENT METHOD DECIDED UPON BY RAYTHEON TO CLOSE BADGER (BELGIUM) N.V., AN ENGINEERING AND DESIGN OFFICE IN ANTWERP. BADGER OF BELGIUM IS A SUBSIDIARY OF BADGER COMPANY, INC., OF CAMBRIDGE, MASSACHUSETTS, PART OF THE RAYTHEON GROUP. THE FIRM IN BELGIUM EMPLOYS 250 ENGINEERS AND OTHER WHITE-COLLAR WORKERS, BUT BECAUSE OF POOR PROSPECTS FOR THE FUTURE AND OTHER CONSIDERATIONS, THE COMPANY HAS ELECTED TO CLOSE ON OR ABOUT JANUARY 15.

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3. BADGER HAS TWO OTHER OFFICES IN EUROPE, ONE IN THE HAGUE AND THE OTHER IN LONDON. THE MANAGER OF THE HAGUE OFFICE, WHO IS ALSO IN CHARGE OF THE BADGER OFFICE IN ANTWERP, TOLD THE EMBASSY THAT THE OTHER TWO OFFICES WILL REMAIN IN BUSINESS. THE OTHER TWO OFFICES HANDLE CONSTRUCTION CONTRACTS FOR EUROPE AND THE MIDDLE EAST AND ARE NOT LIMITED TO SEEKING CONTRACTS

IN THE COUNTRIES IN WHICH THEY ARE LOCATED. MANAGEMENT DECISION TO CLOSE ANTWERP OFFICE APPEARS TO BE BASED ON CONCLUSION THAT SINCE THIS FIRM'S OPERATIONS ARE LIMITED TO BELGIUM THIS SIZE OFFICE IS UNECONOMIC.

4. MY CONCERN IS CAUSED NOT BY THE DECISION TO CLOSE AN UNPROFITABLE OPERATION, BUT BY THE COMPANY'S SEEMING DECISION TO USE THE BANKRUPTCY ROUTE TO AVOID SETTling THE OUTSTANDING CLAIMS OF ITS STAFF. BADGER ASSETS IN ANTWERP WILL COVER ONLY ABOUT 40 PERCENT OF ITS LIABILITIES DUE ITS EMPLOYEES. A PORTION OF THE REMAINING LIABILITY OF \$2.5 MILLION WILL THEN APPARENTLY HAVE TO BE DRAWN FROM A CENTRAL BELGIAN GOVERNMENT INDEMNITY FUND. BADGER OFFICIALS TELL US THAT EVEN THOUGH BADGER (BELGIUM) IS A SUBSIDIARY OF THE BADGER COMPANY, CAMBRIDGE, MASSACHUSETTS, AND OF THE RAYTHEON GROUP, IT IS A SEPARATE LEGAL ENTITY, AND THEREFORE THE MOTHER COMPANY HAS NO LEGAL RESPONSIBILITY TO ASSUME LIABILITY FOR THE OUTSTANDING DEBTS WHICH WOULD BE LEFT IN BELGIUM AT THE FIRM'S CLOSING.

5. WE ARE CONFRONTED WITH THE FOLLOWING DIFFICULTIES:

(A) THE BELGIAN GOVERNMENT WILL BE DIRECTLY INVOLVED ONCE IT IS REQUIRED TO PICK UP A CERTAIN SHARE OF THE LIABILITIES OWED THE BADGER EMPLOYEES. SOME LEGAL SOURCES HERE SUGGEST THAT ONCE THESE PAYMENTS ARE MADE BELGIAN AUTHORITIES WILL BE UNDER AN OBLIGATION TO ATTEMPT TO RECOVER THESE AMOUNTS, TAKING BADGER AND/OR RAYTHEON TO COURT BOTH HERE AND IN THE UNITED STATES.

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(B) THE TWO BELGIAN TRADE UNIONS (FGTB AND CSC) HAVE UNTIL NOW BEEN QUIET IN THE HOPES THAT BADGER, IN ONE WAY OR ANOTHER, WOULD MANAGE TO SURVIVE. SINCE SOME OF THEIR MEMBERS WILL NOT BE FULLY COMPENSATED BY THE FIRM'S CLOSURE, EITHER FROM BADGER FUNDS OR THE BELGIAN GOVERNMENT EMERGENCY FUND, THRE TRADE UNIONS TELL US THAT THEY WILL BE OBLIGED TO WAGE A STRONG PUBLIC CAMPAIGN AGAINST BADGER/RAYTHEON AND AMERICAN MULTINATIONALS IN GENERAL.

(C) UNION LEADERS HAVE ALSO TOLD US THAT THEY HAVE GONE TO THE INTERNATIONAL TRADE SECRETARIAT (FIET) AND MAY APPEAL FOR SOLIDARITY TO THE AFL-CIO.

(D) IN SPITE OF THE LEGAL FICTION OF BADGER (BELGIUM) BEING A SEPARATE ENTITY, NO ONE WILL BE IMPRESSED BY THIS TACTIC. UNQUESTIONABLY, THE GOOD REPUTE OF ALL MULTI-NATIONALS IN BELGIUM WILL BE DAMAGED.

6. ACTION REQUESTED: GIVEN THE ABOVE, I WOULD ASK YOU OR ANOTHER SENIOR OFFICER IN THE DEPARTMENT TO INTERVENE WITH RAYTHEON TO EXPRESS OUR INTEREST IN SEEING THAT THE COMPANY CLOSES IN AN ORDERLY AND RESPONSIBLE MANNER. I BELIEVE THAT MAKING THIS SORT OF INTERVENTION WOULD BE VERY MUCH IN OUR NATIONAL INTEREST. FURTHERMORE, I SEE SOME ADVANTAGE IN DELAYING DECISION TO CLOSE BADGER ANTWERP FOR FEW WEEKS SINCE EMBASSY HAS LEARNED FROM A RELIABLE SOURCE THAT A MAJOR BELGIAN CONSTRUCTION FIRM (SYBETRA) WITH CONTRACTS IN THE MIDDLE EAST AND AFRICA IS STRONGLY INTERESTED IN BUYING OUT BADGER (BELGIUM). NEGOTIATIONS FOR SUCH PURCHASE WILL TAKE TIME AND REQUIRE HIGH-LEVEL ATTENTION BY THE PARENT FIRM. EMBASSY HAS ALSO LEARNED THAT BELGIAN GOVERNMENT LOAN AGENCY IS FAVORABLY INCLINED TO ASSISTING REPUTABLE BELGIAN FIRM PURCHASE BADGER BY TAKING OVER PORTION OF RIRM'S LIABILITIES. WE ARE NOT SURE THAT RAYTHEON HAS BEEN INFORMED OF FOREGOING POSSIBILITIES AND SUGGEST DEPT TELL COMPANY WHAT EMBASSY HAS LIMITED OFFICIAL USE

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Message Attributes

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